Belfast City Council

BREXIT COMMITTEE

Subject:	EU Replacement Funding – Corporate and Local Government Positioning
Date:	12th August 2021
Reporting Officer:	John Tully, Director of City and Organisational Strategy Alistair Reid, Strategic Director of Place and Economy
Contact Officer:	John Greer, Head of Economic Development Lisa Toland, Senior Manager, Economy

Is this report restricted?	**Yes**		**No**	X
Is the decision eligible for Call-in?	**Yes**		**No**	

1.0	**Purpose of Report or Summary of main Issues**
	To provide Members with an update in relation to EU Replacement Funding, and the emerging issues which need to be considered as a council and the wider local government sector.
2.0	**Recommendations**
	The Members of the Committee are requested to recommend that, in accordance with the Council decision of 4th May 2021, the Chief Executive exercise her delegated authority, to: • note the update on current issues set out below and in Appendix 1 regarding the potential impacts of the Shared Prosperity Fund on the Council and local government sector; • agree that SOLACE NI are approached to commission Ekosgen to undertake a further position piece in relation to the Shared Prosperity Fund. This further work should expand on the earlier lobbying piece which Ekosgen produced, and set out the basis for local government to have a greater role in the future management and delivery of the Shared Prosperity Fund; and • agree that officers continue to engage with partners across the city, delivery organisations, central government colleagues and the new

MCHLG offices to assess the likely impacts of the Shared Prosperity Fund, ensuring that the council and sectoral position is suitably articulated.

3.0 Main report

Background

3.1 Members will be aware of the UK government plans to replace European Union ‘structural funds’ with a new Shared Prosperity Fund, due to launch in April 2022. As a member of the EU, the UK received substantial transfers from the EU budget as structural funds. These formed a central part of the EU commitment to support sustainable development and reduce economic disparities between and within member states, and were used to fund employment and skills programmes, research and innovation, and direct support for business and infrastructure.

3.2 The two main structural funds that have operated in Northern Ireland are the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The two funds have slightly different profiles:

- The ERDF supported investment in innovation and research, information technology, small and medium-sized enterprises, and the promotion of a low-carbon economy. Spending under the ERDF in the UK was split roughly equally between capital (investment) and resource (programme) expenditure.

- The ESF supported employment-related projects and vocational skills training. Including support for programmes to support young people who are not in education, employment or training. ESF spending was categorised almost entirely as resource spending.

3.3 In 2014–20, the EU’s last seven-year budget cycle, the UK was allocated a total of €11 billion from these two funds. The three devolved nations received a larger amount of funding per person than England. From the ERDF and ESF combined in the 2014–20 cycle, England was allocated €7.1bn, or €130 per person; Scotland €940 million, or €180 per person; **Northern Ireland €510m, or €280 per person**; and Wales €2.4bn, or €780 per person.

3.4	During the last EU Funding programme Northern Ireland received in the region of 4.8% of the UK's allocated funding. However, under the recent Community Renewal funding, which has been badged as a pre-cursor to the Shared Prosperity Fund, Northern Ireland received an allocation of around 3% linked to our population figure within the UK. If this approach was to continue with the Shared Prosperity Fund, this would represent a significant loss in terms of replacement funding. This is an area that we need to be well-positioned as a council and sector to work with colleagues in the regional government departments, to argue that there should be no reduction to the previous funding levels through the introduction of the Shared Prosperity Fund.
3.5	**The European Social Fund (ESF)** The European Social Fund (ESF) will come to an end in 2023. ESF funding is managed by DfE and much of the funding is administered through an open call. The fund provides support for a range of employability support interventions, largely aimed at those who are hardest to help (e.g. economically inactive, long term unemployed) and those that require specific support e.g. disabled individuals.
3.6	Over the last four years, 32 ESF projects in Belfast have been resourced to a level of £85million.
3.7	The volume of support provided by these organisations – and the significant structural challenges in the Belfast labour market that has been exacerbated by COVID-19 mean that the withdrawal of ESF will have a significant indirect impact on Belfast City Council.
3.8	Given our commitment through the Recovery Plan, the work of the Innovation and Inclusive Growth Commission and the recent agreement to establish Labour Market Partnerships to focus on supporting the development of an inclusive economy, any reduction in engagement and support for the most vulnerable groups will make it more challenging to deliver on that commitment. Having said that, officers are of the view that the current open call approach to addressing these labour market challenges and supporting those groups is not the best way to make an impact and this is borne out by the stubbornly high levels of economic inactivity and unemployment amongst key demographics that have not been impacted by the significant levels of investment to date.
3.9	

	European Social Fund – current status ESF projects are currently in year 4 of a 4-year funding agreement, with an end date of March 2022. Earlier this year, DfE confirmed that they were going to be able to extend the funding to existing projects for one more year and they began the planning work on the ESF successor fund. In May 2021, DfE subsequently confirmed that they would not be able to undertake the project extension support and that they would have to issue a new call for funding.
3.10	**Future delivery options for Shared Prosperity Fund** If the UK Government maintains its approach of engaging directly through MCHLG with councils in terms of future delivery of the Shred Prosperity Fund, we will need to consider carefully as a sector whether the capacity exists to take on this role and what the best delivery mechanisms would be to fulfil our own strategic objectives in managing this funding to address local need within our areas.
3.11	Members will be aware that Labour Market Partnerships are to be established in each council area. The Partnership is tasked with developing a local plan to address the key employability challenges and resources are allocated to support delivery of targeted interventions. The initial plan for Belfast currently in draft form for discussion with DfC will attract funding of up to £1.4million annually against a range of targeted interventions (overall regional budget is £7million). Going forward, funding will be allocated on a three-year cycle, taking account of the need for longer-term planning on these issues.
3.12	The current plan includes a significant investment to support LTU/economically inactive and the intention is to commission this support with input from both the Jobs and Benefits Office (JBO) staff and our employability stakeholder network and this has the potential to create a template for how employability support might be provided for key target groups in the future. However, the scale of investment is significantly smaller than the current ESF budget allocation and will not be able to be used to support all the organisations in the way that the current open call process has been able to do.
3.13	While there appears to be limited information available on the shape and scale of the Shared Prosperity Fund, there is an opportunity to engage with MHCLG to explore how the Labour Market Partnerships may become a conduit for targeting resources at a local level to address long-standing employability challenges and support the “levelling up” agenda. The added value of the LMPs is that they have direct departmental support

	and buy-in from both DfE and DfC and they also have support across other parts of government – including DoJ and DoH.
3.14	Each of the Labour Market Partnerships must complete a strategic assessment of the local labour market as part of their action plan development work with DfC and this provides an independent assessment of need against which interventions can be developed or activities commissioned. It is also important to note that, traditionally, DfE has used ESF to fund some apprenticeship delivery.
3.15	However, the employability element of the EU funds is only one part of the overall budget commitment. Funds allocated through ERDF and Rural Development Funding will have a more wide-ranging impact on support for businesses as well as rural diversification activities. On ERDF, it is clear that the reductions in funding will also have a significant impact on Invest NI and their ability to support local companies. The scope of the eligible expenditure extends beyond councils and, while we need to present a business case for continued investment from the replacement funds, this is likely to be part of a wider package of delivery, some of which will fall outside of the vires of the council.
3.16	For these reasons officers are seeking to engage Eskogen via SOLACE to expand on the earlier lobbying piece which Ekosgen produced, and set out the basis for local government to have a greater role in the future management and delivery of the Shared Prosperity Fund to ensure that the council and sectoral position is suitably articulated It is envisaged that this position will allow officers continue to engage with partners across the city, delivery organisations, central government colleagues and the new MCHLG offices.
3.17	Financial & Resource Implications None associated with this report.
3.18	Equality or Good Relations Implications None associated with this report.
4.0	**Appendices – Documents Attached**
	Appendix 1 – Additional background information on EU Replacement Funding - (Shared Prosperity Fund, Council/MCHLG/NICS relationships, SOLACE NI regional piece and ERDF)